



HB395 Business Regulation – Home Improvement Contracts – Deposits
Education, Health, and Environmental Affairs Committee
March 23, 2021

Position: Favorable

Background: HB395 would allow a person or entity to receive up to ½ of a home improvement contract price before or at the time of execution of the contract, and allows for a payment draw schedule to be established for certain contracts.

Comments: At this time, Maryland is one of fewer than ten states with partial pay laws remaining on the books, and HB395 make progress towards allowing contractors to collect payment in a timely manner. Partial pay laws were devised before the advent of the large home improvement store models and were designed to protect consumers from fly-by-night contractors. Home improvement contractors today are largely unable to vanish without a trace, and must be highly cognizant of their treatment of customers in the world of 21st century social media. In addition to the ease with which customers can publicize poor treatment from a contracting company, consumers also have numerous protection options through the Consumer Protection Division and the Maryland Home Improvement Commission in the case that they are dissatisfied with a service provider.

Partial pay laws were written with protection in mind, and now have the unintended consequence of leaving home improvement entities with little protection when facing customers who refuse to pay for services rendered. Allowing contractors to collect up to half of the agreed-upon contract price before work begins and to establish a payment draw schedule for larger contracts will allow projects to proceed smoothly, especially as contractors purchase and process the individual products and supplies required in installations. Increasing the amount of partial pay that contractors may collect will also have a great impact on the cash flow of small businesses and independent contractors and will decrease their administrative costs spent on bookkeeping and debt collection.

Thank you for your consideration, and we urge a favorable report on HB395.